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Nos. 86-495, 86-624 and 86-625



IN THE

# Supreme Court of the United States

OCTOBER TERM, 1986

UNITED STATES OF AMERICA, *et al.*, K MART CORPORATION and 47th STREET PHOTO,
*Petitioners*,

v.

COALITION TO PRESERVE THE INTEGRITY OF AMERICAN TRADEMARKS, CARTIER, INC., and CHARLES OF THE RITZ GROUP, LTD.,
*Respondents*.

**On Petitions for Writs of Certiorari to the United States Court of Appeals for the District of Columbia Circuit**

## BRIEF FOR RESPONDENTS ON PETITIONS FOR WRITS OF CERTIORARI

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## QUESTIONS PRESENTED *

1. Whether a United States district court, whose jurisdiction of trademark cases rests on 28 U.S.C. § 1338(a) and Section 39 of the Lanham Trademark Act, has jurisdiction of an action arising under Section 526 of the Tariff Act of 1930 and Section 42 of the Lanham Act, each of which forbids the importation of goods bearing certain trademarks, or whether exclusive jurisdiction lies in the Court of International Trade under 28 U.S.C. § 1581.

2. Whether regulations of the Customs Service properly interpret Section 526 of the Tariff Act of 1930, which without relevant qualification makes unlawful the importation of goods of foreign manufacture bearing a trademark owned by a corporation created within the United States (without the trademark owner's consent), when those regulations make the lawfulness of the importation turn on the relationship of the corporation that owns the United States trademark to the owner of the identical trademark affixed abroad.

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* The respondent Cartier, Inc., is a wholly-owned subsidiary of Cartier International, Inc., which is a wholly-owned subsidiary of Cartier International B.V., a Dutch corporation. Cartier, Inc., does not have any non-wholly owned subsidiaries or any affiliates, except foreign affiliates. The parent company of the respondent Charles of the Ritz Group, Ltd., is Squibb Corporation, a Delaware corporation. Charles of the Ritz Group, Ltd., does not have any subsidiaries or affiliates, except foreign affiliates, that are not wholly owned by it or by Squibb Corporation. The Solicitor General published in the petition in No. 86-625 a list of the members of the respondent Coalition to Preserve the Integrity of American Trademarks based on a list in the complaint in this case. A more nearly current list of COPIAT members is contained in the Appendix.

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## BRIEF FOR RESPONDENTS ON PETITIONS FOR WRITS OF CERTIORARI

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Respondents Coalition to Preserve the Integrity of American Trademarks, Cartier, Inc., and Charles of the Ritz Group, Ltd., respond to the three petitions for writs of certiorari to review the judgment of the United States Court of Appeals for the District of Columbia Circuit in this case. Respondents agree with petitioners that the issue of statutory construction described in respondents' second question presented is an important one that this

Court should resolve. But they submit that neither that issue nor the issue of jurisdiction described in the first of respondents' questions presented is close enough to warrant briefing and argument. They believe that the Court can satisfy itself on that score by reading the opinion below and the two other directly relevant appellate opinions.[1] It will find that the court below was clearly right in reading Section 526 of the Tariff Act of 1930 to mean what it says, that there is a large measure of agreement on the interpretation of the statute among the three opinions, and that, to the extent that the results of the decisions of the two other courts of appeals depart from the decision below, they are indefensible. The Court should therefore grant certiorari and summarily affirm.

## STATEMENT

This case concerns the gray market or, as the phenomenon is also called, parallel importation or diversion of goods. The several terms describe the purchase abroad of trademarked goods intended for markets other than the United States and their importation into the United States without the consent of the United States trademark owner. Gray-market transactions are economic when the cost of transporting goods to the United States is less than the cost of brand-name advertising and other promotional activities that must enter into the retail price of goods sold through the trademark owner's authorized channels of distribution. Trademark owners have to engage in advertising and other promotional activities, including after-sale services, to build and maintain the

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[1] Olympus Corp. v. United States, 792 F.2d 315 (2d Cir. 1986), *petition for cert. filed* Nov. 6, 1986 (No. 86-757). Vivitar Corp. v. United States, 761 F.2d 1552 (Fed. Cir. 1985), *cert. denied*, 106 S. Ct. 791 (1986). For reasoned district-court treatments of the issue, the Court should consult Bell & Howell: Mamiya Co. v. Masel Supply Co., 548 F. Supp. 1063 (E.D.N.Y. 1982), *vacated on other grounds*, 719 F.2d 42 (2d Cir. 1983); Osawa & Co. v. B & H Photo, Inc., 589 F. Supp. 1163 (S.D.N.Y. 1984).

goodwill associated with their trademarks. Importers and sellers of gray-market goods have a free ride on the trademark owners' expenditures for those purposes. For that reason, the gray market has been heavily concentrated on goods that are relatively valuable per unit of weight and are the subject of costly brand-name, trademark promotion: cameras, binoculars, watches, perfumes and cosmetics, electronic goods.

The gray market is not unique to the United States. It can and does exist whenever and wherever the relationship of transportation costs to promotional costs favors the free rider. Its existence is therefore not evidence of manufacturers' discriminating against United States distributors in the prices they charge. Indeed, most goods that are the subject of the gray market are so highly competitive that there is no possibility of such price discrimination.

Gray market is not a synonym for discount prices. The great bulk of goods sold at reduced prices in the United States have historically been, and continue to be, authorized goods. Gray-market goods are frequently sold by discount outlets, whose prices for all goods, gray market or authorized, tend to be lower than those of other retailers because they offer less service. Some gray-market goods sell at a discount in the retail market because of their inferior quality. Sophisticated purchasers of expensive photographic equipment, for example, know to demand a discount when a camera does not carry the authorized United States distributor's warranty. And some gray-market goods are sold at outlets where there is no price discounting at all.

If the gray market does produce bargains for some present consumers, the bargains are purchased at the price of an erosion of the return on trademark owners' investment in the goodwill that their trademarks embody. When the return drops low enough, the investment will be

forgone, and consumer welfare, enhanced by the interbrand competition that the promotion of trademarked goods fosters, will suffer.

This Court is of course not asked to resolve the policy issues implied by the foregoing paragraphs of background facts. The Court can know, however, that Congress acted rationally when it decided in 1922 that the goodwill of United States trademark owners should be protected against "the importation of merchandise bearing the same trade-mark as merchandise of the United States" even though "the imported merchandise is genuine and . . . there is no fraud upon the public" (Pet., No. 86-625, p. 15a)—and without regard to the relationship of the United States trademark owner to the person who affixed the identical trademark abroad.

The congressional decision of 1922 is embodied in Section 526 of the Tariff Act of that year, later repealed and reenacted as Section 526 of the Tariff Act of 1930. The effect of the statute, as the 1922 conference committee said, was to make "such importation," *i.e.*, "the importation of [genuine] merchandise bearing the same trademark as merchandise of the United States," "unlawful without the consent of the owner of the American trademark . . . ." (Pet., No. 86-625, p. 15a.) The statute provides that "it shall be unlawful to import into the United States any merchandise of foreign manufacture" bearing a trademark "owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States" and recorded with the Customs Service, "unless written consent of the owner" of the registered trademark "is produced at the time of making entry." 19 U.S.C. § 1526(a) (Pet., No. 86-625, p. 2).

The gray market persists despite this uncommonly unambiguous expression of the congressional will because

of regulations adopted by the Customs Service in 1972. The regulations provide that the Section 526 prohibition of importation of goods bearing a trademark identical to a United States trademark does not apply if (1) the foreign and United States trademarks are owned by the same person or company, (2) the owners of the two marks are parent and subsidiary or otherwise subject to common ownership or control, or (3) the foreign trademark was applied with the authorization of the United States trademark owner. 19 C.F.R. § 133.21(c)(1)-(3) (Pet., No. 86-625, p. 2).

This suit was brought in the district court in early 1984 on behalf of the Coalition to Preserve the Integrity of American Trademarks and two of its members, Cartier, Inc., and Charles of the Ritz Group, Ltd. Cartier, like many COPIAT members, is a subsidiary of a foreign concern; it is the United States distributor for Cartier watches and owns the United States Cartier trademark. Like other COPIAT members, Charles of the Ritz, a subsidiary of Squibb Corporation, is a United States manufacturer; its perfumes are also manufactured abroad by affiliates and by its authority. Both the individual plaintiffs and many similarly situated COPIAT members are denied the protection of Section 526 for their trademarked goods because of the 1972 Customs Service regulations. They sued for a declaration that the regulations are inconsistent with Section 526 (and with Section 42 of the Lanham Trademark Act) and for injunctive relief.

The district court sustained its jurisdiction under Section 1338(a) of Title 28 and Section 39 of the Lanham Act against the challenge of the intervenor 47th Street Photo. On the merits it sustained the regulations.

The court of appeals, in a unanimous opinion written by Judge Silberman and joined by Judges Mikva and Bork, affirmed the district court's and its own jurisdic-

tion but reversed on the merits, holding that the regulations "simply cannot be squared with Section 526 and are thus invalid." (Pet., No. 86-625, p. 9a.) The court, referring to the framework for decision on review of agency action established by this Court in *Chevron, U.S.A., Inc.* v. *Natural Resources Defense Council*, 467 U.S. 837, 842-44 (1984), found that "Congress' intent in Section 526 is clear, and thus 'that is the end of the matter.'" (Pet., No. 86-625, p. 11a.) Alternatively, it held the regulations invalid "because they do not constitute a reasonable interpretation of Section 526." (*Id.*)

In finding that Congress' intent in enacting Section 526 was clear and that the regulations do not reasonably interpret the statute, the court stated initially what no one has denied—that "Section 526 does not, on its face, admit of any exceptions based upon the relationship of the American and foreign trademark owners or upon whether the American owner has authorized the use of the trademark abroad." (*Id.* at 10a.) The court found that the broad apparent meaning of the statute was confirmed by the history of its enactment in 1922 and reenactment in 1930 and that neither the subsequent vacillating and uncertain administrative interpretation nor any subsequent congressional action or inaction justified the evisceration effected by the 1972 Customs Service regulations. (*Id.* at 14a-31a.) The court directed the entry of the requested declaratory judgment but withheld injunctive relief. It did ~~not~~ reach the question under Section 42.

Two similar cases have been decided by other courts of appeals, one before and one after this one. In *Vivitar Corp.* v. *United States*, 761 F.2d 1552 (Fed. Cir. 1985), *cert. denied*, 106 S. Ct. 791 (1986), the court likewise rejected all the reasons offered for accepting the regulations as correctly interpreting the statute but sustained them as enforcement guidelines for the Customs Service. In *Olympus Corp.* v. *United States*, 792 F.2d 315, 320

(2d Cir. 1986), *pet. for cert. filed* Nov. 6, 1986 (No. 86-757), the court similarly declined to hold that the regulations properly "limit the reach of protection of section 526" and sustained them "as an exercise of Customs' enforcement discretion." The decisions of both the Federal Circuit and the Second Circuit leave it up to trademark owners suffering gray-market inroads to sue importers or dealers under Section 526(c) of the Tariff Act of 1930, 19 U.S.C. § 1526(c), which provides for private remedies against "[a]ny person dealing in" merchandise whose importation is forbidden by Section 526(a). The Second Circuit in the *Olympus* case agreed with the court below that the district courts have jurisdiction of an action such as this one; the Federal Circuit held in *Vivitar* that the Court of International Trade had jurisdiction.

## ARGUMENT

There is undoubtedly a conflict among the circuits on the issue of jurisdiction. The conflict of decisions on the merits is not so clear. No court of appeals has sustained the position advanced here by the Government and the private petitioners—that the challenged Customs Service regulations are a correct interpretation of the statute. But the Customs Service is subject to differing directions from the three courts of appeals, and this Court is bound to reconcile the difference.

The jurisdictional issue is a one-time issue of no general practical or doctrinal importance. It can arise only in a suit such as this one or *Olympus* or *Vivitar*, and once the validity of the regulations is determined there will be no more such suits. There is, moreover, no doubt of what the proper resolution of the issue is: jurisdiction plainly lies in the district courts and not the Court of International Trade. The issue on the merits is important, but it too is not a difficult one.

In the circumstances the appropriate course for the Court, presented with issues of statutory construction

that it is bound to resolve but that pose no particular difficulty in their resolution, is to grant the requested writs of certiorari and summarily to affirm the judgment below, which reached the obviously correct result on both issues. *See Lines* v. *Frederick,* 400 U.S. 18 (1970); *United States* v. *Lane Motor Co.,* 344 U.S. 630 (1953).

1. In addition to the general federal question jurisdiction, 28 U.S.C. § 1331, two specific grants of jurisdiction establish and confirm the jurisdiction of the district court to hear and decide this case. The district courts have "original jurisdiction of any civil action arising under any Act of Congress relating to . . . trademarks." *Id.* § 1338(a). And, under Section 39 of the Lanham Act, they have original jurisdiction "of all actions arising under" that statute. 15 U.S.C. § 1121. This action arose under both Section 526 of the Tariff Act of 1930 and Section 42 of the Lanham Act, both of which are acts relating to trademarks. Nothing in the Court of International Trade's detailed jurisdictional statute, 28 U.S.C. § 1581, gives that court jurisdiction of this kind of case to the exclusion of the district courts, in derogation of the district courts' traditional trademark jurisdiction. The Government agrees with respondents on this point.

The Court of Appeals for the Federal Circuit relied in the *Vivitar* case on two paragraphs of Section 1581 as conferring jurisdiction of a case like this one on the Court of International Trade. 761 F.2d at 1557-60. As the court below demonstrated, the Federal Circuit is wrong as to both paragraphs. (Pet., No. 86-625, pp. 5a-8a.) Section 1581 (i)(4), relied on by the Federal Circuit, gives the Court of International Trade jurisdiction of actions against government agencies or officials arising under any law of the United States providing for "administration and enforcement with respect to the matters referred to in" other specific provisions of Section 1581.

Whatever Section 526(a) of the Tariff Act is, it is not a law that fits that description. As the court below indicated, the cases that Section 1581(i)(4) empowers the Court of International Trade to hear are those challenging procedures—"administration and enforcement"—pertinent to matters, such as the denial of importers' protests against exclusions, whose substance is otherwise within the court's jurisdiction. (*Id.* at 7a.)

The court below also was correct in holding that Section 526(a) is not a statute providing for an embargo within the meaning of Section 1581(i)(3), the other provision relied on in *Vivitar.* Section 1581(i)(3) empowers the Court of International Trade to hear suits against federal agencies or officials arising under any law of the United States providing for "embargoes or other quantitative restrictions on the importation of merchandise." As the court below said, the structure of Section 1581 "indicates that Section 1581(i)(3) only extends to quotas and embargoes arising out of trade policy, the sort of measures that have traditionally limited the importation of shoes, textiles, automobiles, and the like." (*Id.* at 8a.) Section 526 (and Section 42 of the Lanham Act) establish trademark policy, not trade policy.

2. On the merits, we commend to the Court Judge Silberman's opinion for a unanimous panel below. Because his analysis is disinterested, it is more persuasive than anything we could say for the proposition that the Customs Service regulations are irretrievably inconsistent with the statute they purport to interpret.

Judge Silberman begins with a statute of which he is able to say matter-of-factly, without fear of contradiction: "The broad protection afforded American trademark owners by Section 526 literally covers the . . . situation" of COPIAT and its members. (*Id.* at 11a.) He finds nothing in secondary sources that cuts away any of the statute's apparent literal coverage.

a. Indeed, the court's "review of the circumstances prompting the enactment of Section 526 and its legislative history" persuaded it "that the statute embodies a purpose as sweeping as the terms its drafters employed." (*Id.* at 12a.) Specifically, Judge Silberman noted the genesis of the statute in the reaction to the Second Circuit's decision in *A. Bourjois & Co.* v. *Katzel*, 275 F. 539 (2d Cir. 1921). That decision was the final flourishing of the Second Circuit's "universality" theory of trademarks, which prevailed until first Congress by enacting Section 526 and then this Court by reversing the court of appeals' *Katzel* decision, *A. Bourjois & Co.* v. *Katzel*, 260 U.S. 689 (1923), acted to enshrine the more protective "territoriality" theory as the law of the United States. The "territoriality" principle maintains that the laws of each particular country define the scope of trademark protection, so that a United States trademark indicates the source of goods and goodwill of the trademark owner in the United States only, and an identical French trademark, for example, is in law a different mark. (*Id.* at 12a-14a.)

Judge Silberman found in the 1922 conference committee report (p. 4, *supra*) a "reflection of Congress' sweeping rejection" of the prevailing universality theory. (Pet., No. 86-625, p. 15a.) The other piece of 1922 history is a brief Senate debate on the floor amendment that became Section 526 of the Tariff Act of that year. Remarks during that debate are the only basis ever adduced for an argument that Congress in the first instance intended to protect fewer than all of the United States trademark owners that Section 526 seems on its face to protect. Judge Silberman, to the contrary, found in the debate reinforcement for the "conclusion that Section 526 confers an absolute, unqualified property right upon American companies that own registered trademarks." (*Id.* at 16a.)

As a conclusive final point on the legislative history, Judge Silberman noted that, when Section 526 was repealed and reenacted as Section 526 of the Tariff Act of 1930, the Senate adopted an amendment that would have deleted from the section the clause allowing goods to enter this country with the consent of the United States trademark owner. The amendment, rejected in conference, "was designed to protect American jobs by preventing U.S. manufacturers from establishing foreign-based plants." (*Id.* at 20a.) The failed amendment "would have been wholly ineffectual and purposeless" if, as the 1972 regulations say, the statute does not in any event bar the importation of goods, with or without the United States trademark owner's consent, where the United States trademark is owned by the same person who owns the identical foreign trademark. For that would necessarily be true in the case of the runaway plant. The history of action on the deletion proposed during the reenactment process was proof to the court "that the entire body in 1930—those favoring and those opposing the amendment—believed that Section 526 applied to all situations literally within its terms." (*Id.* at 21a.)[2]

b. Judge Silberman found no such 50-year history of consistent administrative interpretation of the statute as the petitioners claim. (*Id.* at 20a-29a.) He noted that in its initial, contemporaneous interpretations of the statute—regulations adopted in 1923 and 1931, hard on enactment and reenactment, which is before petitioners' 50 years even begin—"the Customs Service gave no hint . . . that it discerned implied limitations on the scope of Section 526." (*Id.* at 21a.) Further, the 1936 regu-

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[2] Impervious to logic, the petitioner K mart (Pet., No. 86-495, p. 15 & n.13) persists in offering as authority for its position a quotation from one of the sponsors of the 1930 Senate amendment, which, coming from him, makes no sense if read as petitioner would have it read. The court below made the point crystal clear. (Pet., No. 86-625, pp. 20a-21a n.12.)

lations with which history begins for petitioners apparently related solely to another statute and not to Section 526 (*id.* at 23a-24a);[3] later, in 1953, Section 526 was deliberately deleted from the statement of statutory authority for a regulation that for the period between 1953 and 1959 excepted trademarks owned by related companies (the only time before 1972 there was such an exception in published regulations) (*id.* at 25a); during this period the statute was enforced to the benefit of

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[3] Section 27 of the Trade-Mark Act of 1905, in force in 1936, prohibited the importation of goods bearing trademarks (or trade names) that "copy or simulate" registered United States trademarks or trade names. In A. Bourjois & Co. v. Aldridge, 263 U.S. 675 (1923), this Court on the authority of its decision in A. Bourjois & Co. v. Katzel, 260 U.S. 689 (1923), answered in the affirmative a question certified by the Second Circuit: whether a collector of customs was bound under Section 27 to exclude goods bearing a genuine foreign trademark identical to a registered United States trademark. The 1936 regulation from which petitioners date their history of administrative interpretation provided that a genuine identical trademark or trade name (Section 526 has nothing to do with trade names) should "be deemed . . . to copy or simulate" a registered United States trademark or trade name. It was thus a belated recognition of the gloss that *Aldridge* had placed on Section 27; a reference to *Aldridge* was printed in the margin of the regulation. A second sentence of the regulation said that an identical genuine foreign trademark or trade name should not be deemed to copy or simulate a registered United States trademark or trade name if they were owned by the same person or business entity.

When Congress was considering trademark legislation in the 1940s, a witness for the Tariff Commission (from whose testimony the petitioner K mart, in a bit of bravado, quotes, Pet., No. 86-495, p. 18) explained that this regulation related only to Section 27 and not to Section 526 and that the reason for the second sentence was no consideration of policy but a conceptual difficulty with the idea that a company could "copy or simulate" its own trademark. So informed, Congress left Section 526 on the books and enacted Section 42 of the Lanham Act of 1946 as the identical successor to Section 27 of the Trade-Mark Act of 1905. The entire history is recounted in the court of appeals' opinion. (Pet., No. 86-625, pp. 23a-24a & n.13.)

American distributors of French perfumes who owned the American trademarks, and the Solicitor General represented to this Court that despite the affiliation of these distributors with the French manufacturers the Customs Service considered itself "constrained to grant the[ir] claims of statutory protection" (*id.*);[4] there was no explanation of the 1972 regulations when they were adopted, but the Secretary of the Treasury said later that they were based on antitrust doctrine that was outmoded even in 1972 (*id.* at 27a); the regulations were repudiated in an amicus brief filed on behalf of the United States by the Antitrust Division joined by the chief counsel of the Customs Service, in which it was argued "that Section 526 raised no antitrust concerns and *ought to be enforced according to its expressed terms*" (*id.;* emphasis the court's). The court inevitably concluded from the recital here summarized that the noncontemporaneous interpretation of the statute now espoused by the Customs Service—which is not "supported by anything more than poorly articulated and vacillating reasoning"—"does not display the necessary 'thoroughness, validity, and consistency' to merit judicial acceptance." (*Id.* at 28a.)

c. Finally, Judge Silberman found no "'pattern of legislative acquiescence'" in the supposed administrative interpretation of Section 526. (*Id.* at 29a.)[5]

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[4] *See* United States v. Guerlain, Inc., 155 F. Supp. 77 (S.D.N.Y. 1957), *vacated and remanded,* 358 U.S. 915 (1958), *dismissed with prejudice,* 172 F. Supp. 107 (S.D.N.Y. 1959); the quotation is from the Solicitor General's (appellee's) motion to vacate at 7, Guerlain, Inc. v. United States, 358 U.S. 915 (1958), Nos. 24, 30 and 31, O.T. 1958.

[5] For the most part, the subsequent history of congressional consideration is a history of unsuccessful efforts to repeal or modify Section 526 to make it accord with the Customs Service's present interpretation. (Pet., No. 86-625 pp. 24a, 26a, 29a.) No acquiescence or ratification can be inferred from that part of the history. In 1978, Section 526 was amended, the only time that it has been

The four members of the five-judge Federal Circuit panel who joined in that court's opinion in the *Vivitar* case would scarcely disagree with the D.C. Circuit's analysis. For them, Judge Nies declared that (1) "no limitations, based on indications of congressional intent at the time of enactment, can be read into the statute itself," 761 F.2d at 1565; (2) "the 'long standing administrative interpretation' argument . . . does not afford a basis for a definitive statutory interpretation," *id.* at 1568; and (3), so far as supposed legislative acquiescence is concerned, "[l]egislation by total silence is too tenuous a theory to merit extended discussion," *id.* For these reasons, the court "rejected the government's argument that the statute must be interpreted as limited by the regulations." *Id.* at 1570. The majority of the Second Circuit panel in *Olympus* similarly took the position that the regulations do "not limit the reach of protection of section 526." 792 F.2d at 320.

3. The position of both the Federal Circuit and the Second Circuit that the regulations, though they do not properly interpret the statute, can be sustained as Customs Service enforcement guidelines is untenable. The position is not embraced by the Government, which states to this Court that "[t]he regulations . . . reflect the Customs Service's interpretation of a statute that Con-

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amended, to create an exception for a limited quantity of goods brought in for a person's own consumption or use. (*Id.* at 27a-28a.) The court below quotes a passage from a committee report published in connection with this amendment, which is the main basis of the argument for legislative acquiescence in or ratification of the 1972 regulations. (*Id.* at 28a.) As can be seen, the committee mentioned only one of the limitations found in the regulations, the least important of them, the exception for trademarks affixed by authorization of the United States trademark owner (which, in fact, was first indicated to be an exception in 1969, not 20 years before 1978, as the committee stated). Even that single exception, moreover, was misstated by the committee. It would be very hard to divine what Congress was ratifying if it were taken to have acted on the quoted committee report.

gress has charged it with administering." (Pet., No. 86-625, p. 8.) That is the unvarying Customs Service position. The regulations are not now and have never been characterized or represented by the Government as enforcement guidelines. As put by the court below, "[f]rom the start, the Customs Service has regarded the regulations as its interpretation of what the law requires rather than as a decision not to prosecute to the letter of the law." (Pet., No. 86-625, p. 31a.) Accordingly, to uphold the regulations as enforcement guidelines would be plainly to violate the familiar rule of *SEC* v. *Chenery Corp.*, 318 U.S. 80, 95 (1943), that an agency's action "cannot be upheld unless the grounds upon which the agency acted in exercising its powers were those upon which its action can be sustained." The intrusion into the agency's competence that is involved is plainly seen in the footnote in which the Second Circuit in *Olympus* defended against the *Chenery* challenge to its decision. 792 F.2d at 321 n.1.

Indeed, the decisions of the Second and Federal Circuits can fairly be viewed as in breach of a rule of even longer standing than the *Chenery* rule—the rule that a reviewing court is limited to deciding issues of law and may not make the decisions of policy and discretion that Congress has entrusted to an agency. The court's function is exhausted when it instructs the agency on the law. *Perkins* v. *Elg*, 307 U.S. 325, 349-350 (1939); *FPC* v. *Idaho Power Co.*, 344 U.S. 17 (1952); *Sunray Mid-Continent Oil Co.* v. *FPC*, 353 U.S. 944 (1957). So here, once the courts of appeals had satisfied themselves that the regulations did not mark the limit of the statute as the agency contended that they did, the courts could not properly decide that the agency might nevertheless, as a matter of its discretion, decline to enforce the statute to its limit. If the statute gives the agency that freedom (which, in a case that properly posed the issue, these respondents would deny), only the agency can decide whether to exercise it.

Moreover, Judge Winter, dissenting in *Olympus*, pointed out that the administrative problems that the Second Circuit and the Federal Circuit cited as reasons why the Customs Service would wish to limit its enforcement activities in deference to private enforcement under Section 526(c) are of the courts' own making. 792 F.2d at 322. Congress is entitled to legislate by categories, according to traits that characterize the generality of the occupants of its categories. In Section 526 it legislated simply and straightforwardly, conferring the right to exclude certain imports on a broad and easily recognizable category of persons. It did not require those within the category to make individual proof in fact of a distinct United States goodwill associated with a trademark or individual proof to satisfy other criteria that the Second Circuit thought would have to be litigated in a Section 526 case, 792 F.2d at 320. (*See* Pet., No. 86-625, p. 14a n.10.)

4. Given the practical problem of an agency confronted with the disparate if not conflicting court of appeals decisions and the other considerations that militate in favor of a definitive ruling on an issue that has been in contention for some years, the appropriate course for this Court is to grant certiorari and summarily affirm. Briefing and argument on the issues would not illuminate them beyond the illumination already provided by the opinion below and the other opinions. There is no serious contention that the statute is at all ambiguous or that, read to mean what it says on its face, it produces an absurd result so as to justify ignoring its plain terms. As Judge Silberman (and Judge Nies of the Federal Circuit) have demonstrated in their opinions, there is nothing in the legislative history, the long-term course of administrative interpretation, or congressional action since the statute was enacted in 1922 and reenacted in 1930 that would warrant this Court in rewriting the statute or ruling that the Customs Service acted reasonably in rewriting the statute when it prom-

ulgated its regulations in 1972. The supposedly conflicting decisions of the other courts of appeals, so plainly wrong in their results, afford no reason for withholding summary disposition.

This Court has granted certiorari and summarily affirmed on prior occasions when it was confronted with conflicting court of appeals decisions on issues of statutory construction that were readily resolved. *See Lines* v. *Frederick*, 400 U.S. 18 (1970); *United States* v. *Lane Motor Co.*, 344 U.S. 630 (1953). It has taken summary action on a petition for certiorari "[i]n order to clarify whatever uncertainty might exist," *Donovan* v. *Penn Shipping Co.*, 429 U.S. 648, 650 (1977), on account of decisions of courts of appeals that "depart from . . . unbroken precedents," *id.* at 649. Here there is uncertainty that should be dispelled, and the correct answer is not in doubt.

## CONCLUSION

For the foregoing reasons, the petitions for a writ of certiorari should be granted and the decision of the Court of Appeals for the District of Columbia Circuit should be summarily affirmed.

Respectfully submitted,

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## APPENDIX

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